

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 PA-01 SP-02 SS-15 NSCE-00 SSO-00  
ICAE-00 INRE-00 COME-00 EB-08 LAB-04 SIL-01 /063 W  
-----124711 061827Z /42  
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FM AMEMBASSY LONDON  
TO SECSTATE WASHDC IMMEDIATE 9757  
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E.O. 11652: N/A  
TAGS: PINT UK  
SUBJECT: CALLAGHAN'S SPEECH TO TUC

REF: LONDON 14316

SUMMARY: DESPITE HIS INSISTENCE ON NECESSITY TO  
RESTRAIN PAY INCREASES TO 5 PERCENT FIGURE, PRIME  
MINISTER CALLAGHAN WAS WELL RECEIVED BY THE TUC  
CONFERENCE. THE TUC HAS DEFENDED RETURN TO FREE  
COLLECTIVE BARGAINING AND DIFFERS WITH GOVERNMENT  
ON WORK HOURS AND UNEMPLOYMENT POLICIES, BUT FOR  
THE SAKE OF LABOUR MOVEMENT UNITY, AGREES FAIRLY  
AMICABLY TO DISAGREE. CALLAGHAN PROMISED ANNOUNCEMENT  
ON ELECTIONS "VERY SHORTLY" AND TUC LEADERS EXHORTED  
THE CONFERENCE TO "WORK AS NEVER BEFORE" FOR LABOUR  
PARTY VICTORY. END SUMMARY

1. IN HIS ADDRESS TO TUC CONFERENCE IN BRIGHTON  
SEPTEMBER 5, PRIME MINISTER CALLAGHAN REVIEWED HIS  
GOVERNMENT'S ECONOMIC POLICIES AND PERFORMANCE,  
CONCENTRATING ON THOSE ISSUES CURRENTLY PREOCCUPYING  
TUC LEADERSHIP AND RANK-AND-FILE, I.E., INFLATION  
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AND INCOMES POLICY.

2. LABOUR PARTY RECORD. FOLLOWING STATE  
MENT OF CONFIDENCE IN UNION/INDUSTRY RELATIONS, PRIME  
MINISTER LISTED LABOUR GOVERNMENT'S OBJECTIVES FOR  
BRITAIN'S INDUSTRIAL FUTURE: FULL EMPLOYMENT,  
HIGHER LIVING STANDARDS, EQUITABLE SOCIETY WITH

ALTERNATIVE JOB OPPORTUNITIES, AND REVITALIZATION OF THE MANUFACTURING SECTOR. HE TOOK CREDIT FOR LEADERSHIP IN INTERNATIONAL EFFORTS TO STRENGTHEN WORLD ECONOMY, AND DEVOTED CONSIDERABLE ATTENTION TO THE CONCEPT OF CONCERTED INTERNATIONAL ACTION AMONG THE SEVEN BONN SUMMIT PARTICIPANTS. WITH REGARD TO THE LATTER, CALLAGHAN SAID THAT THE MAJOR INDUSTRIALIZED COUNTRIES CONFRONTED MANY SIMILAR STRUCTURAL PROBLEMS WHOSE RESOLUTION REQUIRED COOPERATIVE MEASURES SUCH AS THOSE OUTLINED AT THE BONN SUMMIT. HE PRAISED SCHMIDT AND FUKUDA FOR FULFILLING THEIR COMMITMENTS TO INCREASE DOMESTIC LEVELS OF ACTIVITY. CALLAGHAN CITED PRESIDENT CARTER'S COMMITMENT TO RESTRAIN U.S. ENERGY CONSUMPTION. HE ADDED THAT WHILE CONGRESS HAD YET TO PASS THE ENERGY PROGRAM, BASED ON MEETINGS WITH CONGRESSIONAL LEADERS (NOTE: SENATOR BYRD'S VISIT MUST HAVE BEEN ON HIS MIND) HE WAS CONFIDENT THAT THE U.S. PLEDGE WOULD BE FULFILLED.

3. INFLATION. CORE OF PRIME MINISTER'S PRESENTATION WAS APPEAL FOR TUC'S SUPPORT FOR LABOUR GOVERNMENT'S EFFORTS TO CURB INFLATION. PRIME MINISTER SINGLED OUT NEGATIVE EFFECTS CREATED BY CAP ON FOOD PRICES, BUT ACKNOWLEDGED VITAL FACTOR IS PAY, AN ISSUE ON WHICH NO NATIONAL CONSENSUS YET EXISTS. "OUR JOINT LIMITED OFFICIAL USE

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AGREED STATEMENT FRANKLY STATES THAT ON THIS THERE ARE DIFFERENCES BETWEEN US." RESPONDING TO RISING TUC CHORUS CALLING FOR RETURN TO FREE COLLECTIVE BARGAINING (RATHER THAN GOVERNMENT'S 5 PERCENT FIXED FIGURE), PRIME MINISTER OBSERVED THAT IN PAST YEAR UNIONS BY AND LARGE ACCEPTED PAY INCREASES LOWER THAN RATE OF INFLATION AND ARE CONSEQUENTLY BETTER OFF TODAY THAN IF THEY HAD PUSHED FOR HIGHER FIGURES. IF UNIONS NOW ACHIEVE WAGE SETTLEMENTS HIGHER THAN 5 PERCENT, INFLATION WILL ESCALATE BEYOND PRESENT 7-8 PERCENT RATE.

4. HOURS OF WORK. ONLY VOCAL NEGATIVE AUDIENCE REACTION CAME ON ISSUE OF WORK WEEK, WHEN PRIME MINISTER ANNOUNCED THAT GOVERNMENT POLICY IN COMING YEAR REQUIRES THAT NEGOTIATED REDUCTIONS IN HOURS SHOULD BE SELF-FINANCING OR OFFSET AGAINST THE 5 PERCENT GUIDELINE (CRIES OF "SHAME").

5. THE ELECTION. PRIME MINISTER OBSERVED MEDIA AND PUBLIC ARE EXPECTING ELECTION SOON, BUT CHEERFULLY DECLINED TO PUT SPECULATION TO REST. HE PROMISED

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ICAE-00 INRE-00 COME-00 EB-08 LAB-04 SIL-01 /063 W  
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TO DECLARE HIS INTENTIONS "VERY SHORTLY" AND IN SUCH  
A WAY THAT THE PEOPLE TRUST THE GOVERNMENT. HE HAS  
"PROMISED NO ONE" DATE WILL BE IN OCTOBER. HOWEVER,  
SOUNDING LIKE ELECTION IS VERY CLOSE, PRIME MINISTER  
HIT OUT AT "HARD, UNCARING, ABRASIVE CONSERVATIVE  
LEADERSHIP" AND CONCLUDED BY PROMISING LABOUR GOVERN-  
MENT WILL EMPHASIZE SOCIAL SERVICES AND, UNLIKE  
"SIMPLE-MINDED TORY ECONOMISTS", WILL WORK TO PROTECT  
JOBS.

6. TUC REACTION. FOLLOWING PRIME MINISTER'S ADDRESS,  
THE CONFERENCE OVERWHELMINGLY APPROVED A RESOLUTION  
AFFIRMING ITS SUPPORT FOR RETURN OF A LABOUR GOVERNMENT  
AT THE NEXT ELECTION, CONGRATULATING CURRENT GOVERNMENT  
ON ITS ACHIEVEMENTS, AND LOOKING FORWARD TO A CLOSE  
WORKING RELATIONSHIP "TO FURTHER LEGISLATION, TO  
CREATE A FAIRER AND MORE JUST SOCIETY."

7. SCANLON SPEECH. THIS RESOLUTION WAS INTRODUCED  
BY AUEW LEADER HUGH SCANLON WHO, IN CONTRAST TO  
PRIME MINISTER'S SOMEWHAT PEDESTRIAN PRESENTATION,  
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SPOKE WITH CONSIDERABLE VERVE AND STYLE. SCANLON ADMITTED FORTHRIGHTLY THAT TUC/LABOUR GOVERNMENT RELATIONS HAVE BEEN OCCASIONALLY THORNY IN LAST FOUR YEARS AND ARE LIKELY TO REMAIN SO. NEVERTHELESS, TRADE UNIONISTS MUST "WORK AS NEVER BEFORE" FOR THE PARTY. TORIES LACK OF COMPASSION AND "HOSTILITY" TO UNION MOVEMENT NECESSITATES STRONGEST TUC SUPPORT FOR GOVERNMENT, EVEN THOUGH TUC DECISIONS ON FREE COLLECTIVE BARGAINING, UNEMPLOYMENT AND HOURS OF WORK, ARE "SURE" TO CONFLICT WITH LABOUR GOVERNMENT GUIDELINES.

8. TUC POLITICAL STAND. FOLLOWING SCANLON, TUC GENERAL SECRETARY MURRAY REMINDED DELEGATES THAT RESOLUTION OF SUPPORT FOR LABOUR GOVERNMENT IS NOT BINDING ON MEMBERS, EITHER AS INDIVIDUALS OR UNIONS, BUT THAT GENERAL COUNCIL, LIKE OTHER INTEREST GROUPS INCLUDING CBI, MAY EXPRESS AN ELECTORAL PREFERENCE ARISING FROM A JUDGMENT OF WHAT IS BEST FOR ITS MEMBERSHIP.

9. COMMENT: CALLAGHAN'S SPEECH STRESSED HIS GOVERNMENT'S ACCOMPLISHMENTS, PARTICULARLY HIS OWN ROLE IN THE BONN SUMMIT, REAFFIRMED GOVERNMENT'S COMMITMENT TO ANOTHER ROUND OF WAGE RESTRAINT AND THE 5 PERCENT GUIDELINE, AND URGED UNIONS TO BARGAIN FOR REAL RATHER THAN NOMINAL PAY INCREASES. HIS REMARKS WERE DESIGNED MORE FOR THE TELEVISION VIEWING AUDIENCE, THE BUSINESS COMMUNITY AND THE CITY THAN FOR THE TUC DELEGATES. ON BALANCE, IT WAS A BUSINESSLIKE, AS OPPOSED TO AN EMOTIONAL, PRESENTATION AND WAS POLITELY RECEIVED. HE WAS CANDID WHERE CANDOR WAS REQUIRED -- THE GOVERNMENT'S DIFFERENCE WITH THE LIMITED OFFICIAL USE

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TUC ON A FURTHER ROUND OF INCOMES POLICY -- GENEROUS WHERE APPROPRIATE, AND SELF-SERVING WHERE THAT SEEMED POLITIC. AS ON PREVIOUS OCCASIONS, CALLAGHAN REAFFIRMED THE GOVERNMENT'S RESPONSIBILITY TO DIRECT THE ECONOMY EVEN THOUGH ITS STRATEGY MAY CONFLICT WITH THE PERCEIVED INTERESTS OF ORGANIZED LABOUR OR OF OTHER ECONOMIC GROUPS. ALTHOUGH HE REFUSED TO TIP HIS HAND ABOUT HIS ELECTION PLANS, THE

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ICAE-00 INRE-00 COME-00 EB-08 LAB-04 SIL-01 /063 W  
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SPEECH CLEARLY APPEARED DESIGNED FOR ELECTORAL  
EFFECT.

L0. THE TUC'S APPROVAL OF THE RESOLUTION SUPPORTING  
REELECTION OF A LABOUR GOVERNMENT WAS DISQUIETING  
TO SOME UNION LEADERS -- PARTICULARLY THOSE WHOSE  
UNIONS ARE NOT AFFILIATED WITH THE LABOUR PARTY --  
BECAUSE IT WAS MORE OVERTLY PARTISAN THAN SIMILAR  
RESOLUTIONS IN THE PAST. BUT TUC CHAIRMAN BASNETT  
AND OTHERS CLEARLY FEAR A CONSERVATIVE GOVERNMENT  
AND ARE CONCERNED THAT UNION MEMBERS MAY BE DIS-  
AFFECTED WITH LABOUR AS A RESULT OF THE SUCCESSIVE  
INCOMES POLICIES. THE STRONG SUPPORT FROM BASNETT  
(REFTEL) AND AUEW LEADER SCANLON'S VIGOROUS AND  
EMOTIONAL ENDORSEMENT OF THE RESOLUTION WERE MORE  
THAN ENOUGH TO SILENCE ANY POTENTIAL DISSENT FROM  
THE FLOOR. CALLAGHAN AND LABOUR PARTY GENERAL  
SECRETARY RON HAYWARD, WE UNDERSTAND, WERE PLEASED  
WITH THE RESOLUTION, AND THE UNIONS ARE PUTTING  
THEIR MONEY WHERE THEIR MOUTH IS -- HAYWARD TOLD  
US HE HAS RECEIVED PLEDGES OF OVER 400,000 POUNDS  
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STERLING THIS YEAR.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Decaption Date:** 01 jan 1960  
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